Exhibit No. ___(WRG-1T)
Docket No. UE-03_____
2003 PP&L Rate Case
Witness: William R. Griffith

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, vs. PACIFICORP dba Pacific Power & Light Company, Respondent.	Docket No. UE-03_____

PACIFICORP

DIRECT TESTIMONY OF WILLIAM R. GRIFFITH

December 2003

Q. Please state your name, business address and present position with PacifiCorp, dba Pacific Power & Light Company (the Company).

A. My name is William R. Griffith. My business address is 825 NE Multnomah Avenue, Suite 800, Portland, Oregon. My present position is Director, Pricing & Regulatory Operations, in the Regulation Department.

Q. Briefly describe your educational and professional background.

A. I have a B.A. degree with High Honors and distinction in Political Science and Economics from San Diego State University and an M.A. in Political Science from that same institution; I was subsequently employed on the faculty for one year. I also attended the University of Oregon and completed all course work towards a Ph.D. in Political Science. I joined the Company in the Pricing & Regulatory Affairs Department in December 1983. In June 1989, I became Manager, Pricing in the Regulation Department. In February 2001, I assumed my present responsibilities.

Q. Have you appeared as a witness in previous regulatory proceedings?

A. Yes. I have testified on behalf of the Company in regulatory proceedings in the states of Washington, Oregon, Utah, Wyoming, and California.

Q. What are your responsibilities in this proceeding?

A. I am responsible for the development of revisions to the Company's prices proposed in this proceeding.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to:

1. Present the Company's proposed tariffs in this case.

2. Describe the Company's proposed rate spread of the proposed revenue requirement change.

3. Provide some historic perspective on the Company's proposed rate increase.

4. Discuss the Company's proposed rate design and rate schedule changes.

5. Describe the Company's proposal for the distribution to customers of the Aquila Hydro Hedge payment.

Proposed Tariffs

Q. Are you familiar with the Company's Washington electric tariff schedules proposed to be revised in this filing?

A. Yes. Exhibit No.___(WRG-2) contains revised tariff sheets incorporating the changes as proposed for approval at the end of this proceeding.

Proposed Rate Spread

Q. How is the Company proposing to allocate the revenue increase to customer classes in this proceeding?

A. The Company is proposing to allocate the $26.7 million (13.5 percent) revenue increase across customer classes on an equal percentage basis to all customer classes.

Q. Why has the Company proposed an equal percentage allocation of the price increase?

A. The Company has not had a fully litigated general rate case in Washington since 1986. Given the long period between litigated general rate cases and the many issues in this case, we believe that a uniform percentage increase method is a

reasonable proposal.

Q. What are the effects of the Company's proposed rate spread?

A. The three tables of Exhibit No.___(WRG-3) provide a detailed presentation of the Company's proposed revenue allocation. The proposed base price change for each customer class is 13.5 percent.

Q. Please explain Exhibit No.___(WRG-3), Tables A, B and C.

A. Exhibit No.___(WRG-3), Tables A, B and C, show the estimated effect of proposed prices on revenues from electric sales to ultimate consumers in Washington, distributed by rate schedule, for the normalized 12-month period concluding March 31, 2003.

Table A shows the effects of the proposed base rate changes. Current rate schedule numbers, proposed rate schedule numbers, the average number of customers during the test year and the Megawatt-hours of energy consumption are displayed in columns three through six. Normalized revenues for the test period are displayed in column seven. Column eight shows the proposed change to base revenues and column nine shows that change as a percentage. Column 10 provides the proposed base revenues for each rate schedule. Column 11 shows the calculated average base rate in cents per kWh and column 12 shows the proposed increase as an average rate in cents per kWh. The overall proposed base annual increase to tariff rates of $26.7 million is shown at the bottom of column eight.

Table B shows the effect of the Aquila Hydro Hedge Adjustment to be discussed later in my testimony. The first 10 columns display the proposed base

rate changes as in Table A. Column 11 displays the proposed Aquila Hydro Hedge adjustment by schedule and column 12 shows that adjustment as a percentage of present base revenues. Column 13 shows the net change in revenues proposed in this case and column 14 shows the net change as a percentage.

Table C provides the impact of the proposed changes on net revenues. The first columns again display the proposed base rate changes except column 7 has been added to show the total present adjustments, including Schedule 98–Adjustment Associated with the Pacific Northwest Electric Power Planning and Conservation Act, Schedule 97–Adjustment Associated with the Sale of Centralia and Schedule 191–System Benefits Charge Adjustment, and column 8 now shows present net revenues. Columns 13 through 16 show the effects of Schedule 98, Schedule 97, Schedule 191 and proposed Schedule 96–Adjustment Associated with the Aquila Hydro Hedge, on proposed revenues. The total proposed adjustments are shown in column 17. Lastly, proposed net revenues are displayed in column 18 with columns 19 and 20 showing the percentage net increase and the proposed average net cents per kWh, respectively.

Historic Price Comparison

Q. How does the Company's proposed price increase compare with prices in effect at the time of the Company's general rate case in 1986?

A. If the Company's proposed increase is approved, the Company's overall average cents per kWh rate will be, after adjusting for inflation, over 35 percent lower than the Company's average Washington price in 1986.

Q. Please explain the basis for this statement.

A. The Company's last general rate case became effective October 1986. Based on the historic test period, the overall average base revenue per kWh at that time was 5.3 cents per kWh. The Company's proposed price increase in this case will result in an average base price per kWh of 5.7 cents per kWh—an increase of eight percent on a nominal basis. Over the same period, the Consumer Price Index grew by 70 percent. If the Company's average base price had increased in line with inflation, rates would currently average 9.0 cents per kWh. The Company's Washington customers thus have benefited from stable prices with price changes far below the rate of inflation over this period.

Q. How do the Company's residential prices compare with other utilities?

A. According to the most recently available survey from the Edison Electric Institute (Summer 2003), the Company's Washington residential prices are ranked the lowest among 167 investor-owned utilities. If the proposed price increase in this case is approved, the Company's average residential price will rank among the lowest five percent of utilities surveyed.

Q. How do the Company's total prices compare with other utilities?

A. According to the same Edison Electric Institute (Summer 2003) survey referenced above, the Company's total average retail price is ranked 151st lowest out of 167 utilities surveyed. If the proposed price increase in this case is approved, the Company's total average price will rank among the lowest twenty percent of utilities surveyed.

Rate Design

Q. How does the Company propose to design rates to implement the proposed revenue increase?

A. With the exception of residential rate design discussed immediately below, the general approach the Company has taken is to propose to increase fixed charges and demand charge components while minimizing impacts on energy charges. This will more closely reflect cost of service and send proper price signals to customers. Exhibit No.___(WRG-4) contains the proposed prices and the billing determinants used in calculating proposed prices. Exhibit No.___(WRG-5) contains monthly billing comparisons for representative customers of each schedule.

Residential Rate Design

Q. Please discuss proposed rate design changes for residential rate schedules.

A. For the monthly basic charge, the Company proposes to increase it from $4.50 to $4.75 per month in order to more closely reflect cost of service results. For the energy charge, the Company proposes no change to the first block of the energy charge while applying the balance of the price increase to the tail block rate. This will reduce the impact on many residential customers and will continue to signal customers to limit usage.

General Service Rate Design

Q. Please discuss the proposed changes for general service rate schedules.

A. In general, the Company proposes to increase Load Size and Demand charges while applying smaller increases to Energy Charges.

Q. What other changes does the company propose for the general service rate schedules?

A. The Company proposes to modify the applicability of rate Schedules 24 and 36. Proposed Schedule 36 has been designed to include those general service customers whose monthly demand is between 101 and 999 kW. Proposed Schedule 24 will be available for general service customers whose monthly demand is at or below 100 kW. A provision has also been made to accommodate the needs of seasonal customers. As discussed below, these changes will simplify our rates and eliminate the ambiguity of present optional rates.

Q. How does the Company propose to modify general service rate Schedules 24 and 36?

A. Currently two general service rate schedules are available for general service customers under 1,000 kW—Schedules 24 and 36. Present Schedule 36 is optional for non-residential customers with loads less than 1,000 kW; it has a minimum billing demand of 100 kW. The Company proposes to eliminate all optional language for Schedule 36 and make it applicable to general service customers with loads between 101 and 999 kW. The proposed eligibility language for Schedule 36 states that customers will be automatically migrated to Schedule 36 if their load has exceeded 100 kW more than once in the preceding 12 months.

For present Schedule 24, it is open to all non-residential customers with loads less than 1,000 kW. The Company proposes to make Schedule 24 available only to general service customers with loads of 100 kW or less.

Proposed language has also been added to both schedules providing that a customer will not be switched between rate schedules more than once in a 12-month period unless warranted by specific circumstances. This will prevent a customer from being migrated between rate schedules too frequently. Proposed Schedules 24 and 36 can be found in Exhibit No.___(WRG-2).

Q. Why is the Company proposing the elimination of optional rate schedules for general service customers?

A. The elimination of optional general service rate schedules is appropriate for several reasons. First, it assures that customers of similar load size characteristics are served under similar prices. This improves fairness and equity for customers.

Second, it eliminates ambiguity over rate schedule applicability. With optional rates, it is not always clear which schedule would be optimal for a customer without a detailed comparison. This can affect both new customers and existing customers whose loads are changing.

Third, automatic migration is more responsive to changes in customer usage characteristics. The appropriate schedule may change for a customer if the customer's business experiences a growth or decline. Currently, if a general service customer does not notify the Company of a change in usage, it may remain on an inappropriate schedule for a period of time. Non-optional rate schedules are designed to automatically place customers on a rate schedule that is most appropriate for them based on their usage level.

Q. What are the customer impacts of the proposed changes for Schedules 24 and 36?

A. Exhibit No.___(WRG-5) contains a billing comparison of customers at various usage levels on current Schedule 24 rates who are migrated to proposed Schedule 36 rates and vice versa.

Q. What does the company propose for seasonal general service customers?

A. A provision has been made to proposed Schedule 24 making it applicable to seasonal customers with electric service loads of 200 kW or less, rather than the 100 kW maximum for year round customers. This provision is aimed at minimizing bill impacts on these customers. Seasonal customers with an annual load size greater than 200 kW will be served on Schedule 36.

Q. What effect will the move from the current Schedule 24 to the proposed Schedule 36 have on existing seasonal customers?

A. There are currently no seasonal customers who would be eligible for Schedule 36 as it has been proposed. The increased cut-off of 200 kW for general service seasonal customers ensures that all existing Schedule 24 seasonal customers remain on Schedule 24 and will minimize bill impacts on these customers.

Q. Has this approach of eliminating optional rate schedules been applied in other Company jurisdictions?

A. Yes. Optional rate schedules have been eliminated by the Company in Oregon and are proposed to be eliminated in the Company's current general rate case in Wyoming. Utah and California currently have non-optional general service rate schedules.

Other Rate Design Changes

Q. What changes are proposed for large general service Schedule 48T?

A. In line with cost of service results, the Company proposes to increase the Load Size and Demand charges and apply a smaller percentage increase to the Energy Charges.

Q. What changes are proposed for Agricultural Pumping Service Schedule 40?

A. The Company proposes to increase the Load Size charges and apply a smaller percentage increase to the Energy Charges.

Q. What changes are proposed for lighting schedules?

A. The Company proposes to increase all fixed per lamp charges and cents per kWh charges by an equal percentage.

Aquila Hydro Hedge Adjustment

Q. Please explain proposed Schedule 96, Adjustment Associated with the Aquila Hydro Hedge.

A. The Company proposes to pass through to customers the one-time Aquila Hydro Hedge payment received by the Company and discussed in Mr. Widmer's testimony. On a total Company basis, the Aquila Hydro Hedge payment equaled $5.2 million. This equals approximately $460,000 allocated to be returned to Washington customers. The Company proposes to pass through this amount to customers as a line item credit on customer bills through its proposed Schedule 96, Adjustment Associated with the Aquila Hydro Hedge. Payment of this amount is contingent upon the Company receiving cost recovery in this case of the Aquila Hydro Hedge premium, which is currently included in the Company's net

power costs as discussed by Mr. Widmer.

The proposed Schedule 96 credit is designed to effect an equal percentage reduction for each customer class over a twelve-month period. The Company proposes to distribute the dollars for each rate schedule through a cents per kWh credit that varies by rate schedule based on usage.

Q. Please describe Exhibit No.___(WRG-6).

A. Exhibit No.___(WRG-6) details the changes to class revenues for proposed Schedule 96 and lists the cents per kWh credit applicable to each rate schedule. The proposed Schedule 96, Adjustment Associated with the Aquila Hydro Hedge can be found in Exhibit No.___(WRG-2).

Q. Does this conclude your testimony?

A. Yes, it does.